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Macroeconomic policy questions: external debt sustainability and development

Ecuador:* draft resolution

External debt sustainability and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007, 63/206 of 19 December 2008, 64/191 of 21 December 2009, 65/144 of 20 December 2010, 66/189 of 22 December 2011, 67/198 of 21 December 2012, 68/202 of 20 December 2013, 69/207 of 19 December 2014, 70/190 of 22 December 2015 and 71/216 of 21 December 2016,

Taking note of the work of the United Nations in the area of external debt sustainability and development,

Reaffirming its resolution 70/1 of 25 September 2015, entitled "Transforming our world: the 2030 Agenda for Sustainable Development", in which it adopted a comprehensive, far-reaching and people-centred set of universal and transformative Sustainable Development Goals and targets, its commitment to working tirelessly for the full implementation of the Agenda by 2030, its recognition that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development, its commitment to achieving sustainable development in its three dimensions — economic, social and environmental — in a balanced and integrated manner, and to building upon the achievements of the Millennium Development Goals and seeking to address their unfinished business,

Reaffirming also its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

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Welcoming the Paris Agreement adopted under the United Nations Framework Convention on Climate Change[1] and its early entry into force, encouraging all its parties to fully implement the Agreement, and parties to the United Nations Framework Convention on Climate Change[2] that have not yet done so to deposit their instruments of ratification, acceptance, approval or accession, where appropriate, as soon as possible,

Welcoming also the successful conclusion of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), held in Quito from 17 to 20 October 2016,

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[3]

Emphasizing that debt sustainability is essential for underpinning growth, underlining the importance of debt sustainability and effective debt management to the efforts to achieve the Sustainable Development Goals, and acknowledging that debt crises are costly and disruptive, including for employment and productive investment, and tend to be followed by cuts in public spending, including on health and education, affecting the poor and vulnerable in particular,

Reaffirming that each country has primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, is central to the achievement of sustainable development, and recognizing that national efforts, including to achieve development goals and to maintain debt sustainability, should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Reiterating that debt sustainability depends on a confluence of many factors at the international and national levels, and emphasizing that country-specific circumstances and the impact of external shocks, such as volatile commodity and energy prices and international capital flows, should continue to be taken into account in debt sustainability analyses,

Expressing concern about the adverse impact of the continuing fragility of global growth and sluggish global trade, including on development, cognizant that the global economy remains in a challenging phase, and stressing the need for continued efforts to address systemic fragilities and imbalances and to reform and strengthen the international financial system while implementing the reforms agreed upon to date to attend to these challenges and to make progress towards sustaining and rebalancing global demand,

Recognizing that, in the context of sluggish global economic and trade growth, sustained net negative capital flows to developing countries, flat commodity prices with few or no signs of speedy recovery, an expected tightening of monetary policies in developed countries, and instances of debt distress or a high risk thereof in developing countries are likely to spread further,

Recognizing also the important role, on a case-by-case basis, of debt relief, including debt cancellation, as appropriate, and debt restructuring as debt crisis prevention, management and resolution tools,

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[1] See FCCC/CP/2015/10/Add.1, decision 1/CP.21, annex.
[2] United Nations, *Treaty Series*, vol. 1771, No. 30822.
[3] Resolution 63/303, annex.

Stressing that the swift and flexible provision by creditors of debt restructuring, debt relief and debt cancellation measures is of particular importance for developing countries affected by natural disasters, as in the recent case of a number of small island developing States affected by a succession of hurricanes,

Expressing deep concern that a number of countries in special situations, in particular African countries, the least developed countries, landlocked developing countries and small island developing States, as well as some middle-income countries, face challenges in servicing their debt and that, in spite of international efforts, a growing number of developing countries continue to struggle with high debt burdens and are classified, in accordance with the debt sustainability assessments, as being in debt distress or at high risk of debt distress,

Recognizing that high investment requirements to meet the Sustainable Development Goals on schedule may put further pressure and stress on developing country debt sustainability,

Recognizing also that the remaining effects of the world financial and economic crisis have the potential to undermine the progress made towards achieving the internationally agreed development goals, including the Sustainable Development Goals, and threaten debt sustainability in many countries, especially developing countries,

Stressing the importance of inclusiveness within the United Nations development system and that no country and no one is left behind in the implementation of the present resolution,

1. *Takes note* of the report of the Secretary-General;[4]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries to promote their economic growth and development;

3. *Recognizes* the importance, in particular, of new and emerging challenges and vulnerabilities in regard to developing country external debt sustainability arising from structural changes to overall debt composition, the rapid growth of private sector debt in many emerging and developing countries and the growing use of new debt financing instruments and approaches;

4. *Notes* the growing concerns about fast-rising corporate debt, high-risk exposure to volatile international financial markets and fast-growing debt servicing burdens as potential triggers of financial and debt crises and the consequent need for coordinated policy responses;

5. *Stresses* the need to continue to assist developing countries in avoiding a build-up of unsustainable debt so as to reduce the risk of relapsing into another debt crisis, taking into account the challenges posed by the global economic environment and risks for debt sustainability in some developed and developing countries;

6. *Acknowledges* the role played by the Debt Sustainability Framework for Low-Income Countries, jointly developed by the International Monetary Fund and the World Bank, to guide borrowing and lending decisions, looks forward to the conclusion of the ongoing review of the Framework, and encourages open and transparent consultations, with the full engagement of public and private creditors and borrowers, with a view to incorporating their concerns, where appropriate;

7. *Reiterates* that no single indicator should be used to make definitive judgments about a country's debt sustainability, and, in view of the new challenges

[4] A/72/253.

and vulnerabilities for developing countries' external debt sustainability, substantiated by the work of the United Nations Conference on Trade and Development and recent joint analyses of the International Monetary Fund and the World Bank, stresses the need for improved data collection and quality in areas that include domestic public debt, domestic and external private debt, as well as legal and regulatory features, such as ownership, currency denomination and jurisdiction according to national priorities;

8. *Also reiterates* that timely and comprehensive data on the level and composition of debt are necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises, calls for debtor and creditor countries to intensify their efforts to collect and release data, where appropriate, welcomes the ongoing work of relevant institutions to build new tools for monitoring financial stress in developing countries and to create a central data registry that includes information on debt restructuring, and calls for donors to consider increasing their support for technical cooperation programmes aimed at increasing the statistical capacity of developing countries in that regard;

9. *Recalls* the need for the United Nations system, including the World Bank Group, the International Monetary Fund and other relevant stakeholders, to continue to conduct analytical activities and to provide policy advice and technical assistance to Governments, upon request, in the areas of managing debt, and operating and maintaining databases, and in this regard requests that the Debt Management and Financial Analysis System of the United Nations Conference on Trade and Development be enhanced;

10. *Stresses* the need to strengthen information-sharing and transparency to make sure that debt sustainability assessments are based on comprehensive, objective and reliable data, including an assessment of national public and private debt, in order to ensure the achievement of development goals, and encourages further improvement of the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

11. *Recognizes* that the long-term sustainability of debt depends on, inter alia, economic growth, the mobilization of domestic and international resources, the export prospects of debtor countries, sustainable debt management, sound macroeconomic policies that also support job creation, transparent and effective regulatory frameworks and success in overcoming structural development problems, and hence on the creation of an enabling environment at all levels that is conducive to development, and also recognizes the need to assist developing countries in attaining long-term debt sustainability;

12. *Notes with concern* that some low- and middle-income developing countries that were not part of the existing debt relief initiatives now have large debt burdens that may create constraints on mobilizing the resources needed to achieve the Sustainable Development Goals, indicating a need to consider, as appropriate, stronger debt management initiatives for those countries, and stresses the importance of medium- and long-term debt sustainability to deal with debt, including bilateral and non-Paris Club debt;

13. *Underlines* the fact that heavily indebted poor countries eligible for debt relief will not be able to enjoy the full benefits unless all creditors, both public and private, contribute to debt workouts, as appropriate, in order to ensure the debt sustainability of those countries, and invites creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including through providing comparable treatment, to the extent possible, to debtor countries that have concluded sustainable debt relief agreements with creditors;

14. *Stresses* the need for the international community to remain vigilant in monitoring the debt situation of developing countries, including the least developed countries, landlocked developing countries and small island developing States, and to continue to take effective measures, preferably within existing frameworks, when applicable, to address the debt problem of those countries, acknowledges that sound debt management initiatives can play a key role in liberating resources that should be directed towards activities consistent with the eradication of poverty in all its forms and dimensions, including extreme poverty, and with the promotion of sustained economic growth and development and the internationally agreed development goals, including the Sustainable Development Goals, and in this regard urges countries to direct the resources freed through debt relief, in particular through debt cancellation and reduction, towards achieving those objectives, including in the context of the 2030 Agenda for Sustainable Development,[5] according to their national priorities and strategies;

15. *Notes* that countries can seek to negotiate, as a last resort, on a case-by-case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help mitigate the adverse impacts of a debt crisis and stabilize macroeconomic developments;

16. *Acknowledges* the efforts of, and invites creditors to provide additional flexibility to, developing countries affected by natural disasters so as to allow them to address their national debt concerns, while taking into account their specific economic and social situations and needs;

17. *Recognizes* the importance of the creation of robust, nationally appropriate legal and regulatory frameworks for sustainable national and municipal borrowing, on the basis of sustainable debt management, supported by adequate revenues and capacities, by means of local creditworthiness, as well as expanded sustainable municipal debt markets, when appropriate, and in this regard underlines the importance of the establishment of appropriate financial intermediaries for urban financing, such as regional, national, subnational and local development funds or development banks, including pooled financing mechanisms, which can catalyse public and private, national and international financing;

18. *Underlines* the importance of multilateral efforts to tackle increasingly complex cross-border challenges that have serious effects on development and debt sustainability;

19. *Recognizes* the role of the United Nations and of the international financial institutions, in accordance with their respective mandates, and encourages them to continue to support global efforts towards sustained and inclusive growth, sustainable development and the external debt sustainability of developing countries, including through continued monitoring of global financial flows and their implications in this regard;

20. *Reiterates* that debtors and creditors must work together to prevent and resolve unsustainable debt situations and that maintaining sustainable debt levels is the responsibility of the borrowing countries, acknowledges that lenders also have a responsibility to lend in a way that does not undermine a country's debt sustainability, and in this regard takes note of the principles on responsible sovereign lending and borrowing of the United Nations Conference on Trade and Development, recognizes the applicable requirements of the debt limits policy of the International Monetary Fund and/or the non-concessional borrowing policy of the World Bank and the safeguards of the Development Assistance Committee of the Organization for Economic Cooperation and Development in its statistical system to

[5] Resolution 70/1.

enhance the debt sustainability of recipient countries, and resolves to work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

21. *Calls for* the intensification of efforts to prevent and mitigate the prevalence and cost of debt crises by enhancing international financial mechanisms for crisis prevention and resolution, encourages the private sector to cooperate in this regard, and invites creditors and debtors to further explore, where appropriate and on a mutually agreed, transparent and case-by-case basis, the use of new and improved debt instruments such as debt swaps, including debt for equity in Sustainable Development Goal projects, as well as debt indexation instruments;

22. *Welcomes* the holding of the eleventh International Debt Management Conference by the United Nations Conference on Trade and Development, and encourages the United Nations Conference on Trade and Development to continue its analytical and policy work and technical assistance on debt issues and to promote policies for responsible sovereign borrowing and lending, complementing the work done by the World Bank and the International Monetary Fund and other stakeholders, as appropriate;

23. *Expresses its concern* regarding the ability of non-cooperative minority bondholders to disrupt the will of the large majority of bondholders who accept a restructuring of a debt-crisis country's obligations, given the potential broader implications in other countries, notes legislative steps taken by certain countries to prevent these activities and encourage all Governments to take action, as appropriate, and, furthermore, takes note of discussions in the United Nations on debt issues;

24. *Welcomes* the reforms to pari passu and collective action clauses proposed by the International Capital Market Association and endorsed by the International Monetary Fund to reduce the vulnerability of sovereigns to holdout creditors, encourages countries to take further action to include those clauses in all their bond issuances, and welcomes the continued work of the International Monetary Fund to monitor the uptake of the clauses and explore options for resolving the issue with the outstanding stock of debt without such clauses;

25. *Calls for* further work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

26. *Reaffirms* its resolution 69/319 of 10 September 2015, entitled "Basic Principles on Sovereign Debt Restructuring Processes";

27. *Notes* that the United Nations, as a universal intergovernmental body, has provided a platform for both creditors and debtors to discuss ways to improve external debt sustainability, encourages the annual Economic and Social Council forum on financing for development follow-up to continue such discussions, within its mandate, and in this regard invites continued ongoing cooperation among the international financial institutions, including the Bretton Woods institutions, in particular the International Monetary Fund, relevant United Nations entities, including the United Nations Conference on Trade and Development, and other relevant forums, in accordance with their respective mandates, pursuant to the relevant resolutions on this matter;

28. *Welcomes* the establishment and terms of reference of the Intergovernmental Group of Experts on Financing for Development of the United Nations Conference on Trade and Development, in this regard requests that the outcome of its work be presented as a regular input to the forum on financing for

development follow-up, and recommends that debt sustainability challenges to developing countries become a regular annual theme of the deliberations of the forum;

29. *Reiterates* the invitation to the President of the General Assembly and the Secretary-General to give appropriate consideration to the central role of maintaining and facilitating the financial and macroeconomic stability of developing countries, including debt sustainability, and of supporting an appropriately enabling domestic and international economic, financial and regulatory environment for the means of implementation of the 2030 Agenda for Sustainable Development, and in this regard invites all major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, to support these efforts, in accordance with their respective mandates;

30. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their provision of concessional and grant-based financing to developing countries, which could contribute to debt sustainability in the medium to long term, and notes the provision by the International Monetary Fund of interest relief to eligible developing countries in the form of zero-interest loans;

31. Invites the international community to continue efforts to increase support, including financial and technical assistance, for institutional capacity-building in developing countries to enhance sustainable upstream and downstream debt management as an integral part of national development strategies, including by promoting transparent and accountable debt management systems and negotiation and renegotiation capacities and through supporting legal advice in relation to tackling external debt litigation and debt data reconciliation between creditors and debtors so that debt sustainability may be achieved and maintained;

32. *Requests* the United Nations Conference on Trade and Development, and invites the International Monetary Fund and the World Bank, in cooperation with the regional commissions, regional development banks and other relevant multilateral financial institutions and stakeholders, to continue and intensify cooperation in respect of activities relating to capacity-building and to early warning monitoring systems in developing countries in the area of debt management and debt sustainability, with a view to contributing to the implementation of the 2030 Agenda for Sustainable Development;

33. *Recognizes* the contribution made by the Department of Economic and Social Affairs of the Secretariat in launching a range of multi-stakeholder consultations on, inter alia, sovereign debt restructuring to solicit views of Member States, including experts from academia, policymakers and representatives of the private sector, with a view to enriching a global discourse on these matters, and looks forward to future deliberations of this nature;

34. *Calls upon* all Member States and the United Nations system to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt sustainability of developing countries;

35. *Urges* the United Nations to intensify support for States to fully implement the New Urban Agenda adopted in Quito in 2016;[6]

36. *Calls upon* the relevant organizations of the United Nations system, within their respective mandates and resources, to ensure that no country and no one is left behind in the implementation of the present resolution;

[6] Resolution 71/256, annex.

37. *Requests* the Secretary-General to submit to the General Assembly at its seventy-third session a report on the implementation of the present resolution and to include in his report an assessment of the potential impact of investment requirements to meet the Sustainable Development Goals on developing countries' external debt sustainability, and decides to include in the provisional agenda of its seventy-third session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt sustainability and development".